



**News Release**  
**01 December 2008**

## **BANK OF JAMAICA INTEREST RATES**

Effective Monday 01 December 2008, rates applicable to Certificates of Deposit issued by Bank of Jamaica will be adjusted as follows:

Tenor	30-days	60-days	90-days	120-days	180-days	365-days
<b>New rates</b>	<b>17.00%</b>	<b>17.50%</b>	<b>20.00%</b>	<b>20.20%</b>	<b>21.50%</b>	<b>24.00%</b>
Previous rates	14.65%	14.85%	15.05%	15.15%	15.35%	16.70%

In recent weeks, developments in external markets have led to a sharp rise in the yields on Government of Jamaica (GOJ) Global Bonds and USD Bonds issued by Jamaican companies. Initially, these changes gave rise to increased demand for foreign exchange by securities dealers to meet margin calls from overseas creditors to which the Bank responded by providing US Dollars as needed. Whilst foreign exchange inflows to the country continue to be sufficient to meet regular commercial needs, the increasing attractiveness of these securities has created further demand for foreign exchange by a wider cross-section of persons. This has triggered a disorderly depreciation in the exchange rate, which if allowed to persist, will only precipitate higher inflation and greater macroeconomic instability.

In addition to these factors, financial institutions hold significant sums in BOJ securities that are due to mature over the next three weeks. This high level of Jamaica Dollar liquidity in the context of these attractive foreign currency alternatives makes it necessary for BOJ to take this action. This increase in interest rates is designed to dampen the extraordinary demand related to portfolio decisions and thereby restore predictability and order to local financial markets.